

5/12/72



DEPARTMENT OF STATE

Washington, D.C. 20520

May 12, 1972

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MEMORANDUM

TO: ARA - Mr. Charles A. Meyer
THRU: ARA - Mr. John H. Crippins
FROM: ARA/BR - Stephen Low
SUBJECT: Delfim's Troubles

1. There is growing evidence that Delfim is facing difficulty inside the Government in Brazil. The evidence is based on:

A. Recent public statements by President Medici highly critical of the continuing cost-of-living increases and failure of recent economic prosperity to be distributed to lower income groups.



C. Indications from U.S. business contacts that Delfim is being watched closely and that he is acting very nervous in his recent contacts with them concerning his visit to the U.S. this week.

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GROUP 3

Downgraded at 12-year intervals. Not automatically declassified.

Declassified Authority: 44281 By: Laurie Madsen Date: 04-14-2015

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2. Delfim's position also has been weakened by the firing of Manso Neto in March (ascribed to malfeasance and overreaching his authority in contacts with foreigners). Manso Neto was a strong supporter of Delfim's and the chief architect of many of the new internal programs which were based on the economic growth generated by Delfim's financial programs.

3. It is interesting that none of the criticism leveled against Delfim results from new developments. The cost-of-living increase has been about the same for the last four years. If anything, there has been an increase in real wages compared to the earlier years of the Revolution. No one expected immediate results from the Trans-Amazonica, Program of Social Integration, or PRODOESTE. As for PROTERRA, that has been stalled for almost a year. The fact that economic statistics are slightly inflated has been an open secret for some time.

4. This leads to speculation that someone is trying to stir things up and create a case against Delfim. Gibson is an obvious candidate but I doubt he would take an initiative of this kind. Rather, I imagine he would serve as a willing accomplice. To be successful, it seems more likely that an effort of this kind would come from either Leitao de Abreu, Civil Household Minister, or Army Minister Orlando Geisel. The former seems much more likely than the latter to me. (Leitao's nephew and chief adviser is a career diplomat closely tied to Gibson).

5. Delfim's initial reaction in a public speech seems to have been a defensive one. There is no reason to think that his position is being seriously threatened. Rather, one assumes the attempt is to cut him down to size a little. In any case, it is likely that Leitao is smart enough not to try to kill the goose that laid the golden egg, just clip its wings a little.

cc: LA - Mr. Kléine
ARA - Mr. Szabo

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